

**PLAIN CITY, UTAH
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION
WITH INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2005**

**PLAIN CITY, UTAH
YEAR ENDED JUNE 30, 2005**

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Royce J. Richards, J. D., CPA
Lynn J. Wood, CPA

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council
Plain City, UT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plain City, Utah, as of and for the year ended June 30, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Plain City, Utah's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plain City, Utah, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standard*, we have also issued our report dated September 19, 2005, on our consideration of Plain City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 2 through 6 and pages 34 through 35, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Plain City, Utah basic financial statements.

WOOD Richards & Associates

Ogden, Utah
September 19, 2005

CERTIFIED PUBLIC ACCOUNTANTS

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2005

This document is a narrative overview and analysis of the financial activities of Plain City for the fiscal year ending June 30, 2005. Plain City management encourages readers to consider the information presented here in conjunction with the financial statements, which follow this section. To help the reader with navigation of this report the city's activities are classified in the following manner: government activities include basic services such as public safety, public works, parks and recreation, and general government administration, while business-type activities include sewer and sanitation. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Government activities reflect capital assets including infrastructure and long-term liabilities. Business-type activities have long reported capital assets and long-term liabilities. Government activities are also reported on the accrual basis of accounting.
- The Statement of Activities focuses gross and net costs of city programs and the extent to which such programs rely upon general tax and revenues. This statement summarizes the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major government funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major government funds are presented in their own column. A budgetary comparison is presented for the general fund, which is the only fund for which a budget is legally adopted. Statements for the City's proprietary funds follow the governmental funds and include net assets, revenue, expenses and changes in net assets, and cash flow.
- The notes to the financial statements provide additional disclosures required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

Readers desiring additional information can find additional schedules following the financial section of the report on capital assets and long-term liabilities.

The Management's Discussion and Analysis is intended to explain the significant changes in financial position and differences in operation between the current and prior years.

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2005

City as a Whole

Government-wide Financial Statements

A condensed version of the Statement of Net Assets at June 30, 2005 and 2004 follows:

| | Net Assets at Year-end | | | | | |
|-----------------------------|-------------------------|--------------------|--------------------------|--------------------|--------------------|--------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Cash and investments | \$1,250,039 | \$1,140,954 | \$1,784,256 | \$865,218 | \$3,034,295 | \$2,006,172 |
| Other assets | 58,578 | 91,932 | 2,191,912 | 66,412 | 2,250,490 | 158,344 |
| Capital assets | 2,808,479 | 2,962,909 | 714,577 | 734,430 | 3,523,056 | 3,697,339 |
| Total assets | 4,117,096 | 4,195,795 | 4,690,745 | 1,666,060 | 8,807,841 | 5,861,855 |
| Other liabilities | 9,427 | 115,007 | | | 9,427 | 115,007 |
| Long term outstanding | 46,069 | 71,000 | 3,210,908 | 243,671 | 3,256,977 | 314,671 |
| Total liabilities | 55,496 | 186,007 | 3,210,908 | 243,671 | 3,266,404 | 429,678 |
| Net assets: | | | | | | |
| Invested in capital assets, | | | | | | |
| Net of related debt | 2,766,479 | 2,891,909 | 503,669 | 490,759 | 3,270,148 | 3,382,668 |
| Restricted | 267,385 | 255,811 | 864,222 | | 1,131,607 | 255,811 |
| Unrestricted | 1,027,736 | 862,068 | 111,946 | 931,630 | 1,139,682 | 1,793,698 |
| Total net assets | \$4,061,600 | \$4,009,788 | \$1,479,837 | \$1,422,389 | \$5,541,437 | \$5,432,177 |

During the year ended June 30, 2005 there was one significant event that changed the balance of net assets. The city issued \$ 3,000,000 in bonds to fund sewer expansion on 5100 west. On June 22 the city received \$ 900,000 in proceeds with a balance due of \$ 2,100,000. The bonds will be repaid with annual payments of \$ 202,000 including interest at the rate of 3 % beginning August 1, 2006 with the last payment August 1, 2025. The expansion will come in two phases. A bid has been accepted for the first phase, which has not been started. The second phase has not been bid yet.

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2005

A condensed version of the Statement of Activities follows:

Governmental and Proprietary Activities
For the year ended June 30, 2005 and 2004

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|-------------|--------------------------|-------------|-------------|-------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 384,624 | \$ 490,495 | \$ 247,107 | \$ 335,605 | \$ 631,731 | \$ 826,100 |
| Grants and contributions | 179,687 | 167,347 | | | 179,687 | 167,347 |
| General revenues | | | | | | |
| Taxes | 632,277 | 495,847 | | | 632,277 | 495,847 |
| Interest | 29,628 | 15,750 | 21,972 | 11,932 | 51,600 | 27,682 |
| Miscellaneous | 7,766 | 13,945 | | | 7,766 | 13,945 |
| Total revenues | 1,233,982 | 1,183,384 | 269,079 | 347,537 | 1,503,061 | 1,530,921 |
| Expenses | | | | | | |
| General | | | | | | |
| Government | 401,463 | 332,144 | | | 401,463 | 332,144 |
| Public Safety | 205,892 | 233,225 | | | 205,892 | 233,225 |
| Public Works | 489,645 | 431,508 | | | 489,645 | 431,508 |
| Parks and Recreation | 82,640 | 73,619 | | | 82,640 | 73,619 |
| Interest | 2,530 | 3,304 | | | 2,530 | 3,304 |
| Sewer | | | 211,631 | 177,177 | 211,631 | 177,177 |
| Total expenses | 1,182,170 | 1,073,800 | 211,631 | 177,177 | 1,393,801 | 1,250,977 |
| Change in net assets | 51,812 | 109,584 | 57,448 | 170,360 | 109,260 | 279,944 |
| Beginning net assets | 4,009,788 | 3,900,204 | 1,422,389 | 1,252,029 | 5,432,177 | 5,152,233 |
| Ending net assets | \$4,061,600 | \$4,009,788 | \$1,479,837 | \$1,422,389 | \$5,541,437 | \$5,432,177 |

Governmental activities:

For the year ended June 30, 2005 the total revenues for the governmental activities were \$ 1,233,982. Program revenues totaled \$ 564,311. The major sources of program revenues are building permits, impact fees, and capital grants. General revenues for the year totaled \$ 669,671. The major sources of general revenues are taxes and interest earnings. Taxes comprise 52.64% of the City's general fund revenues.

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2005

Business-type activities:

For the year ended June 30, 2005 the total revenues for the business-type activities were \$ 269,079. Program revenues total \$ 247,107. The majority of the revenue is from charges for services of the enterprise funds. The general revenues in the business-type activities consist of \$ 21,972 in interest income. The sewer fund had an operating loss of \$ 6,014 and an increase in net assets of \$ 57,448.

Budgetary Highlights

Over the course of the year the City Council revised the budget one time. At the end of the year there were three individual departments with budget shortfalls due to unexpected events. In total, the general fund's expenditures were \$ 108,375 less than was budgeted.

Capital Assets and Debt Administration

Capital Assets

At June 30, 2005 the City had \$ 3,523,056 invested in capital assets, including park and recreation facilities, buildings, roads, bridges, sanitation, and sewer lines. This amount represents a net decrease (additions, deductions, and depreciation) of \$ 178,087, or 4.8% over last year.

Capital Assets at Year-end

| | Governmental Activities | | Business-Type Activities | | Total | |
|--------------------------|-------------------------|-------------|--------------------------|------------|-------------|-------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Land | \$ 197,000 | \$ 197,000 | | | \$ 197,000 | \$ 197,000 |
| Buildings | 1,153,393 | 1,143,311 | | | 1,153,393 | 1,143,311 |
| Improvements | 17,684 | 17,684 | | | 17,684 | 17,684 |
| Equipment | 562,589 | 562,589 | 174,432 | 163,932 | 737,021 | 726,521 |
| Infrastructure | 2,476,802 | 2,476,802 | | | 2,476,802 | 2,476,802 |
| Sewer System | | | 1,509,887 | 1,497,146 | 1,509,887 | 1,497,146 |
| Subtotal | 4,407,468 | 4,397,386 | 1,684,319 | 1,661,078 | 6,091,787 | 6,058,464 |
| Accumulated depreciation | 1,598,989 | 1,430,673 | 969,742 | 926,648 | 2,568,731 | 2,357,321 |
| Capital assets, net | \$2,808,479 | \$2,966,713 | \$ 714,577 | \$ 734,430 | \$3,523,056 | \$3,701,143 |

There were three additions to capital assets during the year. Buildings increased \$ 10,082, sewer system increased \$ 12,741, and machinery and equipment increased \$ 10,500.

PLAIN CITY
MANAGEMENT'S
DISCUSSION AND ANALYSIS
JUNE 30, 2005

Debt Outstanding

At year-end, the City had \$ 3,252,908 in bonds and capital leases outstanding versus \$ 314,671 last year, a net increase of \$ 2,938,237.

Debt Outstanding at Year-end

| | Governmental Activities | | Business-Type Activities | | Total | |
|------------------------|-------------------------|-----------|--------------------------|------------|--------------|------------|
| | 2005 | 2004 | 2005 | 2004 | 2005 | 2004 |
| Capital Leases | \$ 42,000 | \$ 71,000 | \$ 20,908 | \$ 30,671 | \$ 62,908 | \$ 101,671 |
| 1972 Revenue Bonds | | | 190,000 | 213,000 | 190,000 | 213,000 |
| 2005 Revenue Bonds | | | 3,000,000 | | 3,000,000 | |
| Total debt outstanding | \$ 42,000 | \$ 71,000 | \$ 3,210,908 | \$ 243,671 | \$ 3,252,908 | \$ 314,671 |

More detailed information on the City's long-term liabilities is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

- Property taxes make up 10.03% of general fund revenues.
- Sales and use tax make up 44.64% of general fund revenues.
- Franchise tax make up 37.09% of general fund revenues.
- Vehicle in lieu tax makes up 2.65% of general fund revenues.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City's Treasurer at 4132 W 2200 N, Plain City, Utah 84404.

PLAIN CITY
STATEMENT OF NET ASSETS
JUNE 30, 2005

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|---------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ 1,250,039 | \$ 1,784,256 | \$ 3,034,295 |
| Accounts Receivable (Net of Allowance for Uncollectibles) | 58,578 | 91,912 | 150,490 |
| Bond Proceeds Receivable | - | 2,100,000 | 2,100,000 |
| Total Current Assets | <u>1,308,617</u> | <u>3,976,168</u> | <u>5,284,785</u> |
| Noncurrent Assets: | | | |
| Capital Assets: | | | |
| Land | 197,000 | - | 197,000 |
| Land Improvements | 17,684 | - | 17,684 |
| Buildings | 1,153,393 | - | 1,153,393 |
| Sewer System | - | 1,509,887 | 1,509,887 |
| Machinery and Equipment | 562,589 | 174,432 | 737,021 |
| Infrastructure | 2,476,802 | - | 2,476,802 |
| Less Accumulated Depreciation | <u>(1,598,989)</u> | <u>(969,742)</u> | <u>(2,568,731)</u> |
| Total Capital Assets, Net | <u>2,808,479</u> | <u>714,577</u> | <u>3,523,056</u> |
| Total Assets | <u>4,117,096</u> | <u>4,690,745</u> | <u>8,807,841</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts Payable | <u>9,427</u> | <u>-</u> | <u>9,427</u> |
| Noncurrent Liabilities | | | |
| Due Within One Year | 31,809 | 34,216 | 66,025 |
| Due in More Than One Year | <u>14,260</u> | <u>3,176,692</u> | <u>3,190,952</u> |
| Total Liabilities | <u>55,496</u> | <u>3,210,908</u> | <u>3,266,404</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 2,766,479 | 503,669 | 3,270,148 |
| Restricted For: | | | |
| Class "C" Roads | 156,365 | - | 156,365 |
| Storm Drain | 84,296 | - | 84,296 |
| Parks | 22,355 | - | 22,355 |
| Fire Hydrants | 4,369 | - | 4,369 |
| Construction | - | 864,222 | 864,222 |
| Unrestricted | <u>1,027,736</u> | <u>111,946</u> | <u>1,139,682</u> |
| Total Net Assets | <u>\$ 4,061,600</u> | <u>\$ 1,479,837</u> | <u>\$ 5,541,437</u> |

The accompanying notes are an integral part of these financial statements.

**PLAIN CITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005**

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|-------------------------|--|--|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental Activities | | | | |
| General Government | \$ 401,463 | \$ 81,395 | \$ 1,541 | \$ - |
| Public Safety: | | | | |
| Police | 128,797 | 39,267 | - | - |
| Fire | 77,095 | 11,717 | 53,623 | - |
| Public Works | 489,645 | 206,218 | 124,523 | - |
| Parks | 29,992 | 10,565 | - | - |
| Recreation | 52,648 | 35,462 | - | - |
| Interest Expense | 2,530 | - | - | - |
| Total Governmental Activities | 1,182,170 | 384,624 | 179,687 | - |
| Business-type Activities | | | | |
| Sewer | 211,631 | 247,107 | - | - |
| Total Business-type Activities | 211,631 | 247,107 | - | - |
| Total Government | \$ 1,393,801 | \$ 631,731 | \$ 179,687 | \$ - |

General Revenues:

Taxes

Property

Sales and Use

Franchise

Vehicle in Lieu

Interest and Investment Earnings

Miscellaneous

Total General Revenues

Change in Net Assets

Net Assets at Beginning of Year

Net Assets at End of Year

The accompanying notes are an integral part of these financial statements.

Changes in Net Assets

| <u>Governmental Activities</u> | <u>Business- type Activities</u> | <u>Total</u> |
|------------------------------------|--------------------------------------|---------------------|
| \$ (318,527) | \$ - | \$ (318,527) |
| (89,530) | - | (89,530) |
| (11,755) | - | (11,755) |
| (158,904) | - | (158,904) |
| (19,427) | - | (19,427) |
| (17,186) | - | (17,186) |
| (2,530) | - | (2,530) |
| <u>(617,859)</u> | <u>-</u> | <u>(617,859)</u> |
| - | 35,476 | 35,476 |
| - | 35,476 | 35,476 |
| <u>(617,859)</u> | <u>35,476</u> | <u>(582,383)</u> |
| 67,167 | - | 67,167 |
| 298,956 | - | 298,956 |
| 248,385 | - | 248,385 |
| 17,769 | - | 17,769 |
| 29,628 | 21,972 | 51,600 |
| 7,766 | - | 7,766 |
| <u>669,671</u> | <u>21,972</u> | <u>691,643</u> |
| 51,812 | 57,448 | 109,260 |
| <u>4,009,788</u> | <u>1,422,389</u> | <u>5,432,177</u> |
| <u>\$ 4,061,600</u> | <u>\$ 1,479,837</u> | <u>\$ 5,541,437</u> |

**PLAIN CITY
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2005**

| | <u>General</u> | <u>Capital Projects</u> | <u>Redevelopment</u> | <u>Total Governmental Funds</u> |
|--|-------------------|-----------------------------|----------------------|---|
| ASSETS | | | | |
| Cash | \$ 401,746 | \$ 847,141 | \$ 1,152 | \$ 1,250,039 |
| Accounts Receivable | 58,578 | - | - | 58,578 |
| TOTAL ASSETS | <u>\$ 460,324</u> | <u>\$ 847,141</u> | <u>\$ 1,152</u> | <u>\$ 1,308,617</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 9,427 | \$ - | \$ - | \$ 9,427 |
| TOTAL LIABILITIES | <u>9,427</u> | <u>-</u> | <u>-</u> | <u>9,427</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Class C Roads | 156,365 | - | - | 156,365 |
| Storm Drain | 84,296 | - | - | 84,296 |
| Parks | 22,355 | - | - | 22,355 |
| Fire Hydrant | - | 4,369 | - | 4,369 |
| Unreserved | 187,881 | 842,772 | 1,152 | 1,031,805 |
| TOTAL FUND BALANCES | <u>450,897</u> | <u>847,141</u> | <u>1,152</u> | <u>1,299,190</u> |
| TOTAL LIABILITIES AND FUND BALANCES | <u>\$ 460,324</u> | <u>\$ 847,141</u> | <u>\$ 1,152</u> | <u>\$ 1,308,617</u> |

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Amounts reported for governmental activities in the
statement of net assets are different because:

| | |
|---|--------------|
| Total fund balances--total governmental funds | \$ 1,299,190 |
|---|--------------|

| | |
|---|-----------|
| Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds. | 2,808,479 |
|---|-----------|

Long-term liabilities are not due and payable in the current
and therefore are not reported in the funds.
Those liabilities consist of:

| | |
|-----------------------------|----------------|
| Capital Lease (Cemetery) | (18,000) |
| Capital Lease (Park Lights) | (24,000) |
| Compensated Absences | <u>(4,069)</u> |

| | |
|---------------------------------------|----------------------------|
| Net assets of governmental activities | <u><u>\$ 4,061,600</u></u> |
|---------------------------------------|----------------------------|

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

| | <u>General</u> | <u>Capital Projects</u> | <u>Redevelopment</u> | <u>Total Governmental Funds</u> |
|---|-------------------|-----------------------------|----------------------|---|
| REVENUES | | | | |
| Taxes | \$ 620,277 | \$ - | \$ - | \$ 620,277 |
| Licenses and Permits | 81,395 | - | - | 81,395 |
| Intergovernmental | 126,064 | - | - | 126,064 |
| Charges for services | 208,280 | - | - | 208,280 |
| Fines | 39,267 | - | - | 39,267 |
| Other Revenues | 132,532 | 14,167 | - | 146,699 |
| Total Revenues | <u>1,207,815</u> | <u>14,167</u> | <u>-</u> | <u>1,221,982</u> |
| EXPENDITURES | | | | |
| Current Operating: | | | | |
| General Government | 364,025 | - | 8,000 | 372,025 |
| Public Safety | 198,215 | - | - | 198,215 |
| Public Works | 357,853 | - | - | 357,853 |
| Parks and Recreation | 108,774 | - | - | 108,774 |
| Total Expenditures | <u>1,028,867</u> | <u>-</u> | <u>8,000</u> | <u>1,036,867</u> |
| Excess of Revenues Over (Under) Expenditures | 178,948 | 14,167 | (8,000) | 185,115 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers-In | - | 232,321 | - | 232,321 |
| Transfers-Out | (232,321) | - | - | (232,321) |
| Total Other Financing Sources (Uses) | <u>(232,321)</u> | <u>232,321</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balances | <u>(53,373)</u> | <u>246,488</u> | <u>(8,000)</u> | <u>185,115</u> |
| Fund Balances at Beginning of Year | <u>504,270</u> | <u>600,653</u> | <u>9,152</u> | <u>1,114,075</u> |
| Fund Balances at End of Year | <u>\$ 450,897</u> | <u>\$ 847,141</u> | <u>\$ 1,152</u> | <u>\$ 1,299,190</u> |

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2005

Net change in fund balance, total governmental funds \$ 185,115

Amounts reported for governmental activities
in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.

| | | |
|----------------------|------------------|-----------|
| Capital Outlays | 10,082 | |
| Depreciation Expense | <u>(168,316)</u> | (158,234) |

| | |
|--|--------|
| Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. | 29,000 |
|--|--------|

| | |
|---|----------------|
| Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds - changes in long-term compensated absences payable. | <u>(4,069)</u> |
|---|----------------|

| | |
|---|-------------------------|
| Change in net assets of governmental activities | <u><u>\$ 51,812</u></u> |
|---|-------------------------|

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2005

| | <u>Sewer</u> | <u>Landfill</u> | <u>Total</u> |
|---|----------------------------|-------------------------|----------------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash | \$ 1,757,142 | \$ 27,114 | \$ 1,784,256 |
| Accounts Receivable (Net) | 91,912 | - | 91,912 |
| Bond Proceeds Receivable | 2,100,000 | - | 2,100,000 |
| Total Current Assets | <u>3,949,054</u> | <u>27,114</u> | <u>3,976,168</u> |
| Noncurrent Assets: | | | |
| Capital Assets | | | |
| Sewer System | 1,509,887 | - | 1,509,887 |
| Machinery and Equipment | 174,432 | - | 174,432 |
| Less Accumulated Depreciation | (969,742) | - | (969,742) |
| Total Capital Assets, Net | <u>714,577</u> | <u>-</u> | <u>714,577</u> |
| Total Assets | <u><u>\$ 4,663,631</u></u> | <u><u>\$ 27,114</u></u> | <u><u>\$ 4,690,745</u></u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Current Portion of Long-Term Liabilities | \$ 34,216 | \$ - | \$ 34,216 |
| Total Current Liabilities | <u>34,216</u> | <u>-</u> | <u>34,216</u> |
| Noncurrent Liabilities: | | | |
| Long-Term Liabilities, Net of Current Portion | 3,176,692 | - | 3,176,692 |
| Total Liabilities | <u>3,210,908</u> | <u>-</u> | <u>3,210,908</u> |
| NET ASSETS | | | |
| Invested in Capital Assets, Net of Related Debt | 503,669 | - | 503,669 |
| Restricted for Construction | 864,222 | - | 864,222 |
| Unrestricted | 84,832 | 27,114 | 111,946 |
| Total Net Assets | <u>1,452,723</u> | <u>27,114</u> | <u>1,479,837</u> |
| Total Liabilities and Net Assets | <u><u>\$ 4,663,631</u></u> | <u><u>\$ 27,114</u></u> | <u><u>\$ 4,690,745</u></u> |

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

| | <u>Sewer</u> | <u>Landfill</u> | <u>Total</u> |
|---|---------------------|------------------|---------------------|
| Operating Revenues: | | | |
| Charges for Services: | | | |
| Sewer | \$ 194,607 | \$ - | \$ 194,607 |
| Total Charges for Services | 194,607 | - | 194,607 |
| Operating Expenses: | | | |
| Salaries and Wages | 38,080 | - | 38,080 |
| Operation Maintenance | 91,532 | - | 91,532 |
| Utilities | 13,392 | - | 13,392 |
| Professional Fees | 3,365 | - | 3,365 |
| Depreciation | 43,094 | - | 43,094 |
| Sewer Collection Fees | 11,158 | - | 11,158 |
| Total Operating Expenses | 200,621 | - | 200,621 |
| Operating Income (Loss) | (6,014) | - | (6,014) |
| Nonoperating Revenues (Expenses) | | | |
| Connection Fees | 52,500 | - | 52,500 |
| Interest Revenue | 21,568 | 404 | 21,972 |
| Interest Expense | (11,010) | - | (11,010) |
| Total Nonoperating Revenues (Expenses) | 63,058 | 404 | 63,462 |
| Change in Net Assets | 57,044 | 404 | 57,448 |
| Total Net Assets - Beginning | 1,395,679 | 26,710 | 1,422,389 |
| Total Net Assets - Ending | <u>\$ 1,452,723</u> | <u>\$ 27,114</u> | <u>\$ 1,479,837</u> |

The accompanying notes are an integral part of these financial statements.

PLAIN CITY
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2005

| | <u>Sewer</u> | <u>Landfill</u> | <u>Total</u> |
|--|----------------------------|-------------------------|----------------------------|
| Cash Flows from Operating Activities | | | |
| Cash Received From Customers | \$ 169,107 | \$ - | \$ 169,107 |
| Cash Paid to Suppliers | (119,447) | - | (119,447) |
| Cash Paid to Employees | (38,080) | - | (38,080) |
| Net Cash Provided (Used) by Operating Activities | <u>11,580</u> | <u>-</u> | <u>11,580</u> |
| Cash Flows from Noncapital Financing Activities | | | |
| Transfers In | - | - | - |
| Transfers Out | - | - | - |
| Net Cash Used in Noncapital Financing Activities | <u>-</u> | <u>-</u> | <u>-</u> |
| Cash Flows from Capital and Related Financing Activities | | | |
| Principal Payments | (32,763) | - | (32,763) |
| Proceeds From Long-Term Debt | 900,000 | - | 900,000 |
| Acquisition of Capital Assets | (23,241) | - | (23,241) |
| Interest Paid | (11,010) | - | (11,010) |
| Connection Fees Collected | 52,500 | - | 52,500 |
| Net Cash Used in Capital and Related Financing Activities | <u>885,486</u> | <u>-</u> | <u>885,486</u> |
| Cash Flows from Investing Activities | | | |
| Interest on Investments | 21,568 | 404 | 21,972 |
| Net Cash Provided by Investing Activities | <u>21,568</u> | <u>404</u> | <u>21,972</u> |
| Net Increase (Decrease) in Cash | 918,634 | 404 | 919,038 |
| Cash - July 1 | 838,508 | 26,710 | 865,218 |
| Cash - June 30 | <u>\$ 1,757,142</u> | <u>\$ 27,114</u> | <u>\$ 1,784,256</u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Operating Income (Loss) | \$ (6,014) | \$ - | \$ (6,014) |
| Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities | | | |
| Depreciation | 43,094 | - | 43,094 |
| Changes in Assets and Liabilities: | | | |
| Accounts Receivable | (25,500) | - | (25,500) |
| Net Cash Provided by Operating Activities | <u>\$ 11,580</u> | <u>\$ -</u> | <u>\$ 11,580</u> |

The accompanying notes are an integral part of these financial statements.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. General Statement

The government is a municipal corporation governed by an elected mayor and council. The City was incorporated July 3, 1967. The City provides the following services as authorized by its charter: Public safety (police and fire), public utility (sewer), highways and streets, sanitation, social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable that do not conflict with or contradict GASB pronouncements). Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

In defining the government, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth by the Governmental Accounting Standards Board (GASB).

B. Basic Financial Statements

The City's basic financial statements consist of the government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

Statement of Net Assets - The statement of net assets and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. The statement of net assets presents the financial condition of the governmental and business-type activities of the City at year end.

Statement of Activities - The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the City's governmental activities and for business-type activities of the City. Direct expenses are those that are specifically associated with a service, program, or department and therefore clearly identifiable to a particular function.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basic Financial Statements (continued)

Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program, and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental program or business activity is self-financing or draws from the general revenues of the City.

Fund Financial Statements

During the year, the City segregates transactions related to certain City functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the City at this more detailed level. The focus of governmental and enterprise fund financial statements is on major funds. Each major fund is presented in a separate column.

C. Fund Accounting

The City uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts.

There are three categories of funds: governmental, proprietary, and fiduciary. The following fund types are used by the City:

Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

The following is a description of the major governmental funds of the City:

General fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Capital projects fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

PLAIN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Fund Accounting (continued)

Redevelopment fund is used to help eliminate "blighted" areas within the designated project area. As of June 30, 2005, the City has not asked for or received any tax increment revenue. Additionally, they have not issued any bonds or made any loans for the Redevelopment Fund. There have been \$8,000 in expenditures related to property acquisition, site improvements, or administrative costs for the year ended June 30, 2005.

Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. The government applies all applicable FASB pronouncements in accounting and reporting for its proprietary operations.

Proprietary Funds are required to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's various departments. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

The following is a description of the proprietary funds of the City.

Sewer Fund is used to account for the provision of sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for sewer debt. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure the integrity of the funds.

Landfill Fund is used to account for the landfill and its estimated future retirement costs.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

Government-wide financial statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled Sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e., when they are "measurable and available").

"Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period. The government considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

Property taxes, franchise taxes, licenses, and interest are susceptible to accrual. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. Other receipts and taxes become measurable and available when cash is received by the government and are recognized as revenue at that time.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity

1. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

2. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets.

3. Receivables and Payables

In the government-wide statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable.

4. Capital Assets

Capital assets which include property, plant, equipment, and infrastructure assets (e.g. roads, sidewalks and similar items) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has not been capitalized during the construction period on property, plant and equipment.

Assets capitalized, not including infrastructure assets, have an original cost of \$5,000 or more and over three years of useful life. Infrastructure assets capitalized have an original cost of \$100,000 or more. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

PLAIN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities and Equity (continued)

4. Capital Assets (continued)

| <u>Assets</u> | <u>Years</u> |
|----------------|--------------|
| Buildings | 50 |
| Sewer system | 50 |
| Infrastructure | 20 |
| Equipment | 7 |

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

5. Compensated Absences

It is the government's policy to accrue accumulated unpaid vacation when earned (or estimated to be earned) by the employee. The balance for governmental funds is maintained separately and represents a reconciling item between the fund financial statements and government-wide presentations.

6. Long-term Liabilities

The accounting treatment of long-term liabilities depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term liabilities to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term liabilities consist primarily of capital leases and bonds payable.

Long-term liabilities for governmental funds are not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

PLAIN CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

7. Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

It is the City's policy to first apply restricted resources rather than unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved, with unreserved further split between designated and undesignated. Proprietary fund equity is classified the same as in the government-wide statements.

8. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

PLAIN CITY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, Liabilities and Equity (continued)

8. Interfund Transactions (continued)

All other interfund transactions, except quasi-external transactions and reimbursement, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as non-operating transfers.

9. Property Tax

Real property taxes are collected by the County Treasurer and remitted to the City after collection. Taxes are due and payable on November 1st and delinquent after 12 o'clock noon on November 30th of each year. The tax levy is established by June 15th with a lien date of January 1st. Property tax revenue is not recognized when levied, because it is not expected to be collected within 60 days after the end of the fiscal year.

10. Operating Revenues and Expenses

Operating revenues and expenses in the proprietary funds consist of those revenues that result from the ongoing principal operations of the City. Operating revenues consist of charges for services. Nonoperating revenues and expenses consist of those revenues and expenses that are related to financing and investing type activities and result from nonexchange transactions or ancillary activities.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information

Annual budgets are prepared and adopted in accordance with the "Uniform Fiscal Procedures Act for Utah cities" by the Plain City Municipal Council on or before June 15th for the following fiscal year, which begins on July 1. Budgets may be increased by resolution of the Municipal Council at any time during the year, following a public hearing. Budgets are adopted at sub-department levels; however budget amendments by resolution are generally required only if the department desires to exceed its total budget appropriation.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budget Information (continued)

The City adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

1. On or before May 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to the formal adoption of the budget the City Council will hold budget workshop meetings, which are open to the public.
3. Prior to June 15th the City Council sets a date for a public budget hearing at which time taxpayers' comments are heard. Copies of the proposed budget are made available for public inspection 10 days prior to the budget hearing. At the conclusion of the budget hearing the budget, as amended, is legally enacted through passage of a resolution.
4. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Funds.
5. Budgets for the General Fund are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). Budgets for the proprietary fund types are prepared using the accrual basis of accounting except that depreciation for all proprietary fund types are not budgeted. Budgeted amounts are as originally adopted, or as amended by the City Council during the 2004/2005 fiscal year.
6. Unencumbered budget appropriations lapse at the end of the fiscal year.

B. Fund Equity Restrictions

Reserve for Storm Sewer - The City Council passed an ordinance on July 11, 1985 providing for storm drain fees on all new construction. These fees collected are to be reserved for future storm drain maintenance.

Reserve for Fire Hydrants - The City Council passed an ordinance providing a monthly fee to be set aside for purchase and replacement of fire hydrants.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. Fund Equity Restrictions (continued)

Reserve for Class "C" Roads - The State of Utah remits a portion of license fees paid and gasoline taxes collected to local units of government as Class "C" Road Funds to be used for the construction and maintenance of roads within the boundaries of the local jurisdiction. All unexpended funds that have been received are reserved at the end of the fiscal year to be appropriated in subsequent budget years.

Reserve for Parks - The City collects park impact fees, these fees are to be expended only on parks. Any unexpended funds that have been received and not expended at the end of the fiscal year are reserved and are to be appropriated for subsequent budget years.

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Deposits and Investments

At year end, the government's carrying amount of deposits was (\$51,747) and the bank balance was \$53,793. Of the bank balance, \$53,793 was covered by federal depository insurance.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the government or its agent in the government's name.
2. Uninsured and unregistered, with securities held by the counter-party's trust department or agent in the government's name.
3. Uninsured and unregistered, with securities held by the counter-party, or by its trust department or agent but not in the government's name.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

A. Deposits and Investments (continued)

At year end, the government's investment balances were as follows:

| | Category | | | Carrying Amount | Market Value |
|--|-------------|-------------|-------------|---------------------|---------------------|
| | 1 | 2 | 3 | | |
| U.S. Government securities | \$ - | \$ - | \$ - | \$ - | \$ - |
| Commercial paper | - | - | - | - | - |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | | |
| Investments not subject to categorization: | | | | | |
| State Treasurer's investment pool | | | | \$3,086,042 | \$ 3,086,042 |
| Total investments | | | | <u>\$ 3,086,042</u> | <u>\$ 3,086,042</u> |

B. Accounts Receivable

Accounts receivable for the City, including the applicable allowance for uncollectible accounts at June 30, 2005, are as follows:

| | General | Enterprise | Total |
|------------------------------------|------------------|------------------|-------------------|
| Receivables: | \$ - | \$ 93,167 | \$ 93,167 |
| Intergovernmental | 58,578 | - | 58,578 |
| Gross receivables | 58,578 | 93,167 | 151,745 |
| Less: Allowance for uncollectibles | - | (1,255) | (1,255) |
| Net total receivables | <u>\$ 58,578</u> | <u>\$ 91,912</u> | <u>\$ 150,490</u> |

The City had no interfund receivables as of June 30, 2005.

C. Bond Proceeds Receivable

The City issued \$3,000,000 in bonds to fund future sewer expansion in the City. The proceeds from the bonds will only be received by the City as funds are needed to pay expansion costs. In 2005, \$900,000 was received and the remaining balance of \$2,100,000 is shown as a bond proceeds receivable on the statement of net assets.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets

A summary of changes in capital assets follows:

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|--|------------------------------|---------------------|------------------|---------------------------|
| Governmental activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ 197,000 | \$ - | \$ - | \$ 197,000 |
| Total capital assets, not being depreciated | 197,000 | - | - | 197,000 |
| Capital assets, being depreciated | | | | |
| Land and Improvements | 17,684 | - | - | 17,684 |
| Buildings | 1,143,311 | 10,082 | - | 1,153,393 |
| Machinery and Equipment | 562,589 | - | - | 562,589 |
| Infrastructure | 2,476,802 | - | - | 2,476,802 |
| Total capital assets, being depreciated | 4,200,386 | 10,082 | - | 4,210,468 |
| Accumulated Depreciation for: | | | | |
| Land and Improvements | (9,610) | (584) | - | (10,194) |
| Buildings | (191,259) | (23,068) | - | (214,327) |
| Machinery and Equipment | (402,214) | (29,432) | - | (431,646) |
| Infrastructure | (827,590) | (115,232) | - | (942,822) |
| Total accumulated depreciation | (1,430,673) | (168,316) | - | (1,598,989) |
| Total capital assets, being depreciated, net | 2,769,713 | (158,234) | - | 2,611,479 |
| Governmental activities capital assets, net | <u>\$2,966,713</u> | <u>\$ (158,234)</u> | <u>\$ -</u> | <u>\$2,808,479</u> |
| | | | | |
| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
| Business-type activities | | | | |
| Capital assets, not being depreciated | | | | |
| Land | \$ - | \$ - | \$ - | \$ - |
| Total capital assets, not being depreciated | - | - | - | - |
| Capital assets, being depreciated | | | | |
| Sewer System | 1,497,146 | 12,741 | - | 1,509,887 |
| Machinery and Equipment | 163,932 | 10,500 | - | 174,432 |
| Total capital assets, being depreciated | 1,661,078 | 23,241 | - | 1,684,319 |
| Accumulated Depreciation for: | | | | |
| Sewer System | (804,870) | (30,134) | - | (835,004) |
| Machinery and Equipment | (121,778) | (12,960) | - | (134,738) |
| Total accumulated depreciation | (926,648) | (43,094) | - | (969,742) |
| Total capital assets, being depreciated, net | 734,430 | (19,853) | - | 714,577 |
| Business-type activities capital assets, net | <u>\$ 734,430</u> | <u>\$ (19,853)</u> | <u>\$ -</u> | <u>\$ 714,577</u> |

PLAIN CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

D. Capital Assets (continued)

Depreciation Expense was charged to functions/departments of the primary government as follows:

Governmental Activities:

| | |
|----------------------------|-------------------|
| General Government | 25,369 |
| Police | - |
| Fire | 7,677 |
| Public Works | 131,792 |
| Parks | 3,276 |
| Recreation | 202 |
| Total Depreciation Expense | <u>\$ 168,316</u> |

Business-type Activities:

| | |
|----------------------------|------------------|
| Sewer Fund | <u>43,094</u> |
| Total Depreciation Expense | <u>\$ 43,094</u> |

E. Interfund Transfers

The following summarizes interfund transfers made:

| <u>Transfers Out</u> | <u>Transfers In</u> | | <u>Total</u> |
|----------------------|---------------------|-------------------------|-------------------|
| | <u>General Fund</u> | <u>Capital Projects</u> | |
| General Fund | \$ - | \$ 232,321 | \$ 232,321 |
| Capital Projects | - | - | - |
| | <u>\$ -</u> | <u>\$ 232,321</u> | <u>\$ 232,321</u> |

The above transfer resulted from the normal course of the City's operation.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

F. Leases

Capital Lease. The government has entered into a lease agreement as lessee for financing the acquisition of cemetery land. The lease agreements qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payment as of the inception date. The lease for the cemetery land has an interest rate of 5.25%. Payments for principal and interest are made on June 1 and December 1. The gross value of the cemetery land purchased with the lease is \$145,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

| Year Ended June 30, | Capital Lease (Cemetery) | | |
|---------------------------|--------------------------|---------------|------------------|
| | 5.25% | | |
| | Principal | Interest | Total |
| 2006 | 18,000 | 518 | 18,518 |
| Totals | \$ 18,000 | \$ 518 | \$ 18,518 |

Capital Lease The City entered in to a lease agreement as lessee for financing the acquisition of park lights. The lease has a 0.00% interest rate. Payments are made November 1 of each year. The gross value of the park lights and is \$60,000.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

| Year Ended June 30, | Capital Lease (Park Lights) | | |
|---------------------------|-----------------------------|-------------|------------------|
| | 0.00% | | |
| | Principal | Interest | Total |
| 2006 | 12,000 | - | 12,000 |
| 2007 | 12,000 | - | 12,000 |
| Totals | \$ 24,000 | \$ - | \$ 24,000 |

Sewer Fund

The City has entered into a lease agreement as lessee for financing the acquisition of a sewer pump truck. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of the future minimum lease payments. The lease for the sewer truck has an interest rate of 4.55%. Payments for principal and interest are made once a year in November. The gross value of the sewer truck is \$50,000.

PLAIN CITY

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005**

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

F. Leases (continued)

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2005, were as follows:

| Year Ended June 30, | Capital Lease (Sewer Truck) | | |
|---------------------------|-----------------------------|-----------------|------------------|
| | 4.55% | | |
| | Principal | Interest | Total |
| 2006 | 10,216 | 972 | 11,188 |
| 2007 | 10,692 | 496 | 11,188 |
| Totals | \$ 20,908 | \$ 1,468 | \$ 22,376 |

G. Long-Term Liabilities

1972 Revenue Bonds. The government issued bonds where the government pledged income derived from the acquired or constructed assets to pay debt service.

Sewer Fund

4 1/2% sewer revenue bonds
Issued September 23, 1972
Matures September 23, 2012

\$ 190,000

The annual requirements to amortize the 1972 Revenue Bonds are as follows:

| Year Ended June 30, | 1972 Sewer Revenue Bonds | | |
|---------------------------|--------------------------|------------------|-------------------|
| | 4.50% | | |
| | Principal | Interest | Total |
| 2006 | 24,000 | 8,550 | 32,550 |
| 2007 | 25,000 | 7,470 | 32,470 |
| 2008 | 26,000 | 6,345 | 32,345 |
| 2009 | 27,000 | 5,175 | 32,175 |
| 2010 | 28,000 | 3,960 | 31,960 |
| 2011 | 29,000 | 2,700 | 31,700 |
| 2012 | 31,000 | 1,395 | 32,395 |
| Totals | \$ 190,000 | \$ 35,595 | \$ 225,595 |

All interest expense for the sewer leases and bonds have been included as a direct function expense to the Sewer Program on the Statement of Activities.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Long-Term Liabilities (continued)

2005 Sewer Revenue Bonds. The City issued \$3,000,000 in bonds to fund sewer expansion in the City. The proceeds from the bonds will only be received as needed for expansion costs. Principal payments together with interest accruing on the unpaid principal balance at the rate of 3% are to be made once a year on August 1, beginning August 1, 2006. The bonds will fully mature on August 1, 2025.

The annual requirements to amortize the 2005 Revenue Bonds are as follows:

| Year Ended June 30, | 2005 Sewer Revenue Bonds 3.00% | | |
|---------------------------|-----------------------------------|---------------------------|----------------------------|
| | Principal | Interest | Total |
| 2007 | \$ 112,000 | \$ 90,000 | \$ 202,000 |
| 2008 | 116,000 | 86,640 | 202,640 |
| 2009 | 119,000 | 83,160 | 202,160 |
| 2010 | 123,000 | 79,590 | 202,590 |
| 2011 | 126,000 | 75,900 | 201,900 |
| 2012-2016 | 690,000 | 320,400 | 1,010,400 |
| 2017-2021 | 802,000 | 210,360 | 1,012,360 |
| 2022-2026 | 912,000 | 82,770 | 994,770 |
| Totals | <u>\$3,000,000</u> | <u>\$1,028,820</u> | <u>\$ 4,028,820</u> |

Changes in Capital Leases in the Governmental Activities – During the year, the following changes occurred in capital leases for the governmental activities:

| Governmental Activities: | Balance July 1, 2004 | Additions | Reductions | Balance June 30, 2005 | Amounts Due Within One Year |
|--------------------------------------|----------------------------|------------------------|---------------------------|-----------------------------|--------------------------------------|
| Capital Lease (Cemetery) | \$ 35,000 | \$ - | \$ (17,000) | \$ 18,000 | \$ 18,000 |
| Capital Lease (Park Lights) | 36,000 | - | (12,000) | 24,000 | 12,000 |
| Total Debt | 71,000 | - | (29,000) | 42,000 | 30,000 |
| Compensated Absences | - | 5,878 | (1,809) | 4,069 | 1,809 |
| Total Governmental Activities | <u>\$ 71,000</u> | <u>\$ 5,878</u> | <u>\$ (30,809)</u> | <u>\$ 46,069</u> | <u>\$ 31,809</u> |

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

G. Long-Term Liabilities (continued)

Changes in Capital Leases and Long-Term Liabilities in the Business-Type Activities
– During the year, the following changes occurred in capital leases and long-term liabilities for the business-type activities:

| | Balance July 1, 2004 | Additions | Reductions | Balance June 30, 2005 | Amounts Due Within One Year |
|-----------------------------|----------------------------|--------------------|--------------------|-----------------------------|--------------------------------------|
| Capital Lease (Sewer Truck) | \$ 30,671 | \$ - | \$ (9,763) | \$ 20,908 | \$ 10,216 |
| 1972 Revenue Bonds | 213,000 | - | (23,000) | 190,000 | 24,000 |
| 2005 Revenue Bonds | - | 3,000,000 | - | 3,000,000 | - |
| Total Debt | 243,671 | 3,000,000 | (32,763) | 3,210,908 | 34,216 |
| | <u>\$ 243,671</u> | <u>\$3,000,000</u> | <u>\$ (32,763)</u> | <u>\$3,210,908</u> | <u>\$ 34,216</u> |

A total of \$2,530 was charged to expense in the statement of activities in the Governmental Activities, while \$11,010 was included as a direct function expense in the Business-Type Activities to the Sewer Program. No interest was capitalized for the year ended June 30, 2005.

H. Retirement System

Plan Description. Plain City contributes to the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with Social Security coverage cost-sharing multiple-employer defined benefit pension plans administered by the Utah Retirement Systems (Systems). Utah Retirement Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Noncontributory Retirement System and the Public Safety Retirement System for employers with Social Security coverage. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102 or by calling 1-800-356-8772.

PLAIN CITY

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

III. DETAILED NOTES ON TRANSACTION CLASSES/ACCOUNTS (continued)

H. Retirement System (continued)

Funding Policy. Plan members in the Local Governmental Noncontributory Retirement System are not required to contribute to the plan. Plain City is required to contribute 9.62% of their annual covered salary for members in the noncontributory division. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

Plain City's contributions to the Noncontributory Retirement System the Contributions for June 30, 2005, 2004 and 2003 were \$10,687, \$8,798, and \$7,212, respectively. The contributions were equal to the required contributions for each year.

I. Risk Management – Claims and Judgments

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters.

The City maintains commercial insurance for all major programs. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the prior year.

J. Stewardship, Compliance, and Accountability

Expenditures over budget:

The following departments in the General Fund incurred expenditures in excess of budget:

| | <u>Budget</u> | <u>Actual</u> | <u>Actual Over Budget</u> |
|-----------------|---------------|---------------|-------------------------------|
| Buildings | 61,600 | 63,082 | 1,482 |
| Fire Department | 63,500 | 69,418 | 5,918 |
| Sanitation | 147,500 | 165,902 | 18,402 |

**REQUIRED
SUPPLEMENTARY
INFORMATION**

PLAIN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|-------------------------------|-------------------------|---------------------|---------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes: | | | | |
| Current Year Property Taxes | \$ 59,500 | \$ 59,500 | \$ 65,195 | \$ 5,695 |
| Redemptions | 1,500 | 1,500 | 1,972 | 472 |
| Registered Vehicles | 15,000 | 15,000 | 17,769 | 2,769 |
| Sales and Use Taxes | 250,200 | 316,800 | 298,956 | (17,844) |
| Franchise Taxes | 162,000 | 162,000 | 236,385 | 74,385 |
| | <u>488,200</u> | <u>554,800</u> | <u>620,277</u> | <u>65,477</u> |
| Licenses and Permits: | | | | |
| Business Licenses | 5,500 | 5,500 | 5,602 | 102 |
| Building Permits | 137,450 | 137,450 | 75,793 | (61,657) |
| | <u>142,950</u> | <u>142,950</u> | <u>81,395</u> | <u>(61,555)</u> |
| Intergovernmental: | | | | |
| Class "C" Road Fund Allotment | 135,000 | 135,000 | 124,523 | (10,477) |
| State Liquor Allotment | 400 | 400 | 1,541 | 1,141 |
| | <u>135,400</u> | <u>135,400</u> | <u>126,064</u> | <u>(9,336)</u> |
| Charges for Services: | | | | |
| Landfill Fees | 140,000 | 155,000 | 167,598 | 12,598 |
| Park Fees | 15,000 | 15,000 | 5,220 | (9,780) |
| Recreation Fees | 56,592 | 63,592 | 35,462 | (28,130) |
| | <u>211,592</u> | <u>233,592</u> | <u>208,280</u> | <u>(25,312)</u> |
| Fines and Forfeitures | <u>24,000</u> | <u>24,000</u> | <u>39,267</u> | <u>15,267</u> |
| Other Revenues: | | | | |
| Interest Earnings | 6,000 | 6,000 | 15,461 | 9,461 |
| Storm Drain | 25,000 | 25,000 | 22,060 | (2,940) |
| Sundry Revenues | 1,500 | 1,500 | 7,766 | 6,266 |
| Rental Revenue | 2,500 | 2,500 | 5,345 | 2,845 |
| Filing Fees | 3,500 | 3,500 | 16,560 | 13,060 |
| Fire Hydrants | 8,000 | 8,000 | 11,717 | 3,717 |
| Grants | - | - | 53,623 | 53,623 |
| | <u>46,500</u> | <u>46,500</u> | <u>132,532</u> | <u>86,032</u> |
| Total Revenues | <u>\$ 1,048,642</u> | <u>\$ 1,137,242</u> | <u>\$ 1,207,815</u> | <u>\$ 70,573</u> |

(continued)

PLAIN CITY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED JUNE 30, 2005

| | <u>Budgeted Amounts</u> | | <u>Actual</u> | <u>Variance with Final Budget Favorable (Unfavorable)</u> |
|--|-------------------------|-------------------|-------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Expenditures: | | | | |
| General Government: | | | | |
| Legislative | \$ 147,000 | \$ 187,000 | \$ 164,694 | \$ 22,306 |
| Judicial | 17,000 | 17,000 | 13,439 | 3,561 |
| Administrative | 73,800 | 73,800 | 68,349 | 5,451 |
| Non-departmental | 86,000 | 86,000 | 54,461 | 31,539 |
| Buildings | 53,000 | 61,600 | 63,082 | (1,482) |
| | <u>376,800</u> | <u>425,400</u> | <u>364,025</u> | <u>61,375</u> |
| Public Safety: | | | | |
| Police Department | 130,300 | 130,300 | 128,797 | 1,503 |
| Fire Department | 63,500 | 63,500 | 69,418 | (5,918) |
| | <u>193,800</u> | <u>193,800</u> | <u>198,215</u> | <u>(4,415)</u> |
| Public Works | | | | |
| Streets | 169,400 | 189,400 | 180,458 | 8,942 |
| Storm Drain | 46,300 | 46,300 | 11,493 | 34,807 |
| Sanitation | 132,500 | 147,500 | 165,902 | (18,402) |
| | <u>348,200</u> | <u>383,200</u> | <u>357,853</u> | <u>25,347</u> |
| Parks | 61,000 | 61,000 | 46,246 | 14,754 |
| Recreation | 68,842 | 73,842 | 62,528 | 11,314 |
| Total Expenditures | <u>1,048,642</u> | <u>1,137,242</u> | <u>1,028,867</u> | <u>108,375</u> |
| Other financing sources (uses): | | | | |
| Operating transfers in (out) | - | (232,321) | (232,321) | - |
| Total other financing sources (uses) | - | <u>(232,321)</u> | <u>(232,321)</u> | - |
| Excess (Deficiency) of Revenues over Expenditures | - | <u>(232,321)</u> | <u>(53,373)</u> | <u>(37,802)</u> |
| Fund Balance - July 1 | <u>504,270</u> | <u>504,270</u> | <u>504,270</u> | - |
| Fund Balance - June 30 | <u>\$ 504,270</u> | <u>\$ 271,949</u> | <u>\$ 450,897</u> | <u>\$ 178,948</u> |

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and City Council
Plain City, Utah

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Plain City, Utah, as of and for the year ended June 30, 2005, which collectively comprise Plain City, Utah's basic financial statements and have issued our report thereon dated September 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Plain City, Utah's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Plain City, Utah's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts.

Honorable Mayor and City Council
Page 2

However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the audit committee, management, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Wood Richards & Associates

Ogden, Utah
September 19, 2005

INDEPENDENT AUDITOR'S REPORT
STATE OF UTAH LEGAL COMPLIANCE

The Honorable Mayor and City Council
Plain City, Utah

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of Plain City, Utah, for the year ended June 30, 2005 and have issued our report thereon dated September 19, 2005. As part of our audit, we have audited Plain City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2005. The City received the following major assistance programs from the State of Utah.

C Road Funds (Department of Transportation)
Liquor Law Enforcement (State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2005.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance
Truth in Taxation & Property
Tax Limitations

Liquor Law Enforcement
Justice Court
B & C Road Funds
Other General Compliance Issues
Uniform Building Code Standards
Impact Fees

The management of Plain City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

Independent Auditor's Report on State Legal Compliance
Page 2

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, Plain City, Utah, complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2005.

Wood Richards & Associates

September 19, 2005

Wood · Richards

AND ASSOCIATES P.C.

Royce J. Richards, J. D., CPA
Lynn J. Wood, CPA

September 19, 2005

Honorable Mayor and City Council
Plain City, Utah

We have recently completed our audit of the basic financial statements of Plain City for the year ended June 30, 2005. During our audit we noted the following item for your consideration:

1. State law required that the expenditures shall not be incurred in excess of the appropriation for any department. We noted that some departments had expenditures over their budget. We recommend you open the budget late in the year to provide for these variances.

We appreciate the cooperation we received during the course of our audit.

Sincerely,

Wood Richards & Associates

Wood, Richards & Associates, PC

CERTIFIED PUBLIC ACCOUNTANTS



December 5, 2005

Utah State Auditor's Office
Attn: Richard Moon
211 State Capitol
Salt Lake City, UT 84114

Dear Richard:

This letter is in response to the letter dated September 19, 2005 from our auditors, Wood Richards & Associates.

- **Budgetary Compliance** – The city had three departments exceed their budget. The auditors recommended we open the budget periodically to account for deviation from the original budget. We did open the budget toward the end of FY 2005. Several changes were made; however, unanticipated spending during the last weeks of the year pushed those departments over. For 2006 we intend to open the budget and make corrections throughout the year. We are also trying to hold department heads more responsible for adherence to the approved budget.

Plain City strives to be in compliance with all applicable laws and regulations. If there are any questions pertaining to any of the above items, please call our office at (801) 731-4908.

Sincerely,

K Scott Campbell
Treasurer
Plain City

cc: Wood Richards & Associates

4160 W. 2200 N. • Plain City, Utah 84404
(801) 731-4908 • Fax: 731-8619